2:Purcell G-4 (no date) 1951 AL1 Southeast Asia AL1
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Sometimes they have been given a choice of activities. The Spanish, for example, wanted them as peasant agriculturists but tolerated them as traders. Similarly, in Indochina the French wanted them for opening up uncultivated lands, but, since the 'Red Lands' suitable for the cultivation of rubber and other profitable raw materials were barred to all aliens, the Chinese (although he might have been a peasant at home) refused the hard toil of the fields if he could obtain a position with a Chinese firm. In Java the Dutch found the Chinese useful as middlemen, and middlemen they became, accepting the penalty of the resentment of the Javanese that such a function entailed. The farming of the revenue was allotted to them as the highest bidders by the Spanish, the Dutch, and the British alike. Such occupations are labelled 'parasitic', but it must be remembered that they were the best methods of obtaining revenue available before the Governments felt themselves able to collect it for themselves. When they could do so, the farms were abolished. Also, it should be remembered, it was from the Chinese themselves that most of the revenue of the farms was collected. If we accept Mr Furnivall's epithet of 'parasitic' we must extend it to cover the British, Dutch, and French Governments also.

Given a large and improvident peasantry, as existed in Siam, Indonesia, Indochina, and the Philippines, there was a demand for credit with uncertain security or none at all. This credit was most naturally extended by the traders to whom they sold their produce, and it was most conveniently given in the form of goods and paid for in produce at the time of the harvest. Certainly this gave great power to the Chinese trader; the question is whether he abused it. A survey in Siam by Mr James M. Andrews (see p. 164) does not bear out the widespread belief that the Chinese are unconscionable usurers. 'The Thai farmer [says Mr Andrews], and especially his wife, is much more given to money-lending with the hope of high profits than the Chinese.' As regards alleged profiteering in the rice trade, the College of Agriculture at Los Baños in the Philippines (see p. 635) conducted a survey and found that 'the Chinese merchants are performing essential marketing services at a fairly low cost'. In Indonesia it is notorious that many Indonesian Hajis and Arabs are far greedier money-lenders than are the Chinese. In Malaya it is the chetty and the Sikh who are the money-lenders; not the Chinese. Cases in which Chinese

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figured as lenders were practically unknown.[1] The charge of 'unconscionable usury and profiteering' is, in the writer's opinion, not proved.

Professor Raymond Firth has gone into the question of Chinese middlemen in the Malayan fishing industry with considerable care. He says that in this role the Chinese performs important functions. He shoulders a great part of the market risks; he supplies considerable capital, in a liquid form, in consumer's goods, or in producer's goods; and he saves the fishermen much trouble in seeking buyers. On the other hand the same observer adds:

> The system obviously has great dangers. It gives him a monopoly, with little prospect of the fishermen reaping the advantages of the rising market, or of even getting much more than bare subsistence earnings, and it tends very often to place them firmly in his debt, with little chance of extricating themselves and building up their own capital.

Among the Malay fishermen this relationship with the Chinese is variously viewed. One group told Professor Firth that they liked it 'because they can get hold of cash easily'. In several other places, however, the fishermen complained of the low prices they received from the Chinese to whom they were bound to sell. Up to 1939 the attempt of the administration to meet the situation by encouraging co-operative Malay associations for fish-marketing had had only a moderate success.[2]

It should be added that the provision of credit on reasonable terms for productive enterprise is finally the responsibility of the Governments. Much progress has been made in some Southeast Asian countries in the establishment of landbanks, co-operative societies, &c., in the last half-century, but these advanced money only for 'productive' purposes, and in Indonesia the people have still to go to money-lenders to obtain money for wedding, funeral,

[1] A London solicitor who was for many years in Malaya, where he had a large practice, remarked to the writer on 10 February 1949, 'I have never known a money-lending Chinese.' Nor can the writer himself, who had considerable experience as a magistrate and as official assignee and liquidator of companies, recollect any such case.

The writer, on the other hand, has known Britons (of presumed respectability) lending money to Indian chetties at a minimum of 12–15 per cent., who in turn lent it to Malays, Chinese, and others at a rate of interest that can only be guessed!

[2] *Malay Fishermen: Their Peasant Economy*, pp. 14, 61.

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and other expenditure demanded by custom. Moreover, the money-lenders are willing to advance money without the security demanded by landbanks and co-operative societies.

In the matter of trade monopoly it is true that in Siam, Indo-china, Indonesia, and the Philippines the Chinese have a virtual monopoly of the rice distribution and milling trades. The Govern-ments of these countries have, to meet the popular agitation, passed legislation to restrict the Chinese share in this trade. The fact that the Chinese maintains his position in face of all this legislation and in face of competition, fair or unfair, is simply because he is so much more competent in the business. Florence Horn (see p. 634) points out that the Filipino politician who charged the Chinese with having half the retail business in their hands changed his ground completely when the reply was made that all the Filipino had to do was to open up a *tienda* on his own and put the Chinese out of business. He then said that the Chinese standard of living was deplorably low, he eats almost nothing and works day and night; therefore he subjects the Filipino to unfair com-petition! At the same time it must be admitted that the Chinese, having obtained virtual control of some trades, do their best to keep them in their hands and usually employ only their own countrymen. This is naturally galling to the native looking for an opening, but there is a sound business reason for it. They employ their own people because they are, on the whole, better at the job. No European merchant would maintain that a firm should be compelled to employ persons of inferior business capacity, thus exposing the firm to the danger of bankruptcy.

If the Governments of Southeast Asia wish to secure a greater share of the trade of their country for their nationals, they are entitled to legislate accordingly—provided, of course, that the law does not operate harshly or unjustly by depriving an alien of one source of livelihood before he has had a chance of acquiring another. (The economic effect on a country of discriminating against aliens who discharge some useful function is another matter.)

In *Fanny's First Play* Bernard Shaw pokes fun at the critics who will not give an opinion as to the merits of the play until they know 'Who wrote it?' The inference is that such a question is an irrelevance, and that the play should be judged on its own merits. But while we have, so far, attempted to consider the charges

7: Furnivall G-4, 5 (no date) 1948 AL1 Southeast Asia AL1

dom was no natural growth but the exotic seed of a plural society, unable to protect itself. Usually the first stage in the transition from a policy of *laissez-faire* to one of constructive effort on behalf of native welfare can be recognized by attempts to protect the people against the economic forces liberated under western rule. As we have noticed, development by native enterprise and by western enterprise react differently on native social life. Each requires its appropriate method of protection. In the former case, with natives cultivating for the market, economic forces attack the native social structure from within, and the problem is to protect them in the produce market and to assure them of the fruits of their labour and suitable conditions of occupancy. In the latter case, with natives employed in capitalist enterprise, economic forces act in the first instance from without, and the problem is to protect them in the labour market and to secure for them sufficient wages and suitable conditions of employment.

6. Native Enterprise and the Land

In the course of development by native enterprise, one conspicuous feature is the growth of agricultural indebtedness; this is indeed a natural and almost inevitable consequence of native cultivation for the market. Rapid development demands that cultivators shall borrow money to take up land and hire labour, but circumstances encourage them to borrow more than they require and more than they can repay.[1] This is often ascribed to the shiftlessness of cultivators, or the wickedness of moneylenders, who deliberately entangle the cultivator in debt so as to leave him with no more than a bare subsistence.[2] It is true that the grant of easy credit to the limit of the security available is profitable to the moneylender, who has least trouble with large loans, but it is profitable also to the exporter, who can obtain steadier supplies at lower prices, to the importer, who can sell more goods to cultivators with more cash than they know how to use, and to the banks which finance the whole series of transactions. Easy credit greases all the wheels of the economic mechanism. We have seen the result in Burma. The indebtedness of cultivators in India is notorious. In the Philippines, Malaya, Fiji, Ceylon, Cyprus, Egypt, Zanzibar and other parts of Africa,[3] everywhere indeed where the people cultivate for sale rather than for the family, the burden

[1] *African Survey*, p. 885. [2] *ISC*, 1, 275.
[3] *African Survey*, p. 872; *Britain and Her Dependencies*, p. 25; Mills, p. 276.

J. Furnivall G-4,5 (no date) 1948 ALl Southeast Asia ALl

of debt lies heavy on them. Indebtedness leads naturally to the transfer of land from peasants to large owners, and then to rack-renting. Protection accordingly takes two forms: one is to protect the people against the loss of land and excessive rents; the other is to protect them against debt.

In the tropics generally the western idea of property in land is a modern innovation. Landlords, so far as they existed, were also quasi-feudal lords over the people, and they were more concerned to multiply the number of their followers than the area of their estates. In western feudalism the people went with the land, but in the tropics the land went with the people, who did not pay rent to their overlord but a customary tribute and services. Where there were no landlords, the peasant might enjoy an hereditary title to individual occupation, subject usually to the interests of his whole family group and to the needs of the village or tribal unit. These conditions are inconsistent with economic development by native enterprise, and cultivation for the market gives land and its produce a new value. Cultivators, inspired by economic motives, borrow money in the hope of earning more, and lose their land to moneylenders and large landowners, often absentees. Landowners, old and new, inspired by economic motives, screw up the pitch of rents. Land alienation and rack-renting attract attention, partly because they are the most obvious symptoms of distress, partly because they foster discontent and political unrest, and, of course, to some extent from humanitarian sentiment. The matter first came prominently to notice in India, where there have been various attempts to restrict mortgage and transfer, 'but these measures are easy neither to frame nor to execute', and they seem to have had little success. Similar attempts have failed in Malaya.[1] Ordinarily they are based on the idea of protecting the cultivator against himself, whereas the real trouble is that he needs protection against the economic forces dominating the whole social life of a plural society. In Netherlands India the cultivator has been saved from the disaster that has overwhelmed his fellow in British India by regulations prohibiting the alienation of native land to foreigners and confirming the rule of native customary law in land transactions. This, however, is possible only where development by western enterprise allows or requires the preservation of native authority and native customs.

Where development by western enterprise is the prime object

[1] *African Survey*, p. 873; Mills, p. 251.

7: Furnivall G-4, 5 (no date) 1948 AL1 Southeast Asia AL1

Where development by western enterprise is the prime object 423 426

of colonial policy, land alienation need present no problem, except as regards the lands actually taken up for western enterprise, and even debt may not be serious. Thus, in large parts of Africa, 'so far conditions have not favoured the growth of moneylending; the general restrictions imposed on the sale of native land to non-natives, as well as the limitations which some territories have placed on the giving of credit to natives by non-natives have militated against it'.[1] It is sometimes suggested in British publications that there is little indebtedness in Netherlands India. But that is a mistake. The Dutch have protected the native against the worst result of debt, the loss of land, but not against incurring debt. In the development of British India and Burma by native enterprise the merchant gave out advances to secure produce; in Java the planter gave advances to secure labour. The actual moneylender is usually a middleman, in the Tropical Far East mostly Indian or Chinese, who reaps some of the profit that would otherwise be divided between natives and Europeans, with a lion's share to the latter. In such circumstances exporters of produce have a common interest with cultivators. Moreover, as is conspicuously illustrated in Burma, the transfer of land to people whose sole interest is to exact the highest rent, tends to reduce the outturn. Thus everywhere in the Tropical Far East we find sympathy for the cultivators in the clutches of middlemen: in Indo-China 'the chetty is a plague', in the Dutch Indies 'the foreign asiatic is worse than ten epidemics', in Burma the wiles of both *chettyars* and Chinese were denounced so far back as the early eighties. Both practical and humanitarian considerations demand a solution for the problem of indebtedness.

The favourite remedy for debt is the encouragement of co-operative credit societies. But this is no cure for debt, and it may quite possibly aggravate the disease which is the chief cause of debt, the disintegration of society by economic forces. It is no cure for debt, because the success of co-operative credit requires a genuine acceptance of co-operative principles, and this is a slow process, while debt increases daily. It tends to aggravate disintegration, because the principles on which it rests are contrary to those which form the basis of native social life and, indeed, of social life in general. The suggestion that co-operative credit accords with native ideas as being communal in character is mistaken.[2] The village community embraces all the inhabitants of the village in a common bond for all the purposes

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[1] *African Survey*, p. 872. [2] *Ib.* p. 1482.

7: Furnivall G-4, 5 (no date) 1948 ALL Southeast Asia ALL

in addition to the State banks. How far the State banks have been successful in solving the economic problem is a matter of debate. The successful working of such banks demands a restriction on private credit. In Netherlands India this is provided in some measure by the application of native customary law to native lands, which prevents their alienation for debt to foreign moneylenders. But apparently the banks, nominally for agriculturists, find most of their clients among townsfolk; and some critics allege that the people borrow as much from private moneylenders as before, in addition to what is borrowed from the banks. It would appear then that the restrictions on private moneylending in Netherlands India are inadequate, but the banks do at least provide facilities for individuals to obtain credit on sound lines.

The State pawnshops in Netherlands India provide similar facilities for individuals, mainly townsfolk, to obtain temporary accommodation on a small scale. These also were an outcome of the Ethical movement, originating with the same man who started the early co-operative credit movement. Formerly the pawnshops were in the hands of the Chinese, who managed them merely with a view to profit. The pawnbrokers were cunning in sharp practice; the terms for loans were exorbitant, and the arrangements for the safe custody of pledges were unsatisfactory, while the shops were widely believed to be used as opium dens. All this has been changed, and the shops are not only a public benefit but yield a handsome revenue.

Both State banks and pawnshops illustrate the fact that the promotion of welfare does not necessitate the introduction of foreign capital. In fact they require practically no capital as, by beginning on a small scale, they can provide the capital for further development. All they require is a knowledge of the people and their economic situation, the will to promote their welfare and, above all, patience. They differ from co-operative credit societies mainly in three points. They appeal merely to economic motives, common to all men, whereas the co-operative movement urges social ideals easier to preach than to practise. They meet the requirements of individuals as such, whereas co-operative societies only meet the individual requirements of those who are willing to combine for common action. And in meeting individual requirements they fulfil their purpose, whereas the co-operative movement requires common *social* action for common *economic* ends which are prejudicial to common social life and thereby hinder common social action. Credit institutions, like public works,

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453 may give the people new opportunities of improving their condition, and, if well managed, may give some protection against economic 426 forces, which public works, even irrigation works for the benefit of native enterprise, do not attempt. For the relation between 474 the co-operative movement and State credit, we may find a parallel in the relation between economic services aiming to increase collective production and those aiming to increase individual production. We have noticed that ordinarily the former fail because it is impracticable to obtain collective action by a sufficient number over a sufficient area, whereas the latter may meet with some success. Yet even individuals who take advantage of the new opportunities to produce more, ordinarily receive no lasting benefit, because they are unable to withstand the economic pressure of the environment. Co-operative credit and State credit are alike intended to strengthen them against this pressure. Experience in Netherlands India suggests that State credit has better chances of success. But it is important to appreciate the conditions of success. The State banks in Netherlands India have achieved useful results because the land policy protects cultivators against the impact of the West, and not because the banks protect them against the natural consequences of this impact. Similarly the pawnshops have been useful because the State monopoly of pawnbroking protects the people against the action of economic forces, and not merely against their natural consequences. State credit has no virtue in itself. It may, as has been charged against State banks in Netherlands India, merely increase the volume of indebtedness, and it is liable to become just an instrument of economic progress instead of helping to promote welfare. As an instrument of welfare it is of value only so far as it is accompanied by other measures in a comprehensive welfare policy.

7. Western Enterprise and Labour

423 The problems arising out of tropical development by western enterprise have a different character, and are more readily apparent and more urgent. In some cases it may lead to agrarian distress, but this is found chiefly where lands available for native occupation have been curtailed by the grant of large estates for European settlement. Such conditions present special difficulties. Formerly in Burma waste lands were granted or leased for European enterprise, but this resulted in the oppression of the natives, both on the estates and in their neighbourhood, and the concessions remained uncultivated

7: Janlekha X-4,5 (1948-1953)1956 AO7 Central Thai
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thus set a new stage -- the development of the natural resources of the whole region.

This change-over from a subsistence economy to a commercial economy involved the large-scale expansion of traditional crops or the development of new commercial crops. It was stimulated by the introduction or expansion of a money economy, the flow of capital and the development of land and sea transport. It was supported by Western technology, methods of administration and systems of justice. This whole process greatly affected the traditional institution, upsetting the balance of a medieval world. The free, individualist spirit of Western rule and commerce cut at the roots of traditional social life, undermining the corporate strength of family and village. But the most serious direct threat of the new economic forces was to the peasant's ownership of land. Expanding economies, new money taxes and cheap imports meant better business than ever for the money lender. Many peasants became ruined by debt and lost their lands. Indebtedness and debt slavery were not new in Southeast Asia; the latter was fairly soon stamped out, but the former now became much more widespread than before, resulting in the creation of a landless proletariat.[16]

Characteristics of Current Southeast Asian Economy

In spite of all the differences among the countries of Southeast Asia in the natural environment, ethnic

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16. Harrison, op. cit., p. 210.

10: Thompson S-4 (no date)1947 ALl Southeast Asia ALl

been traditionally most dependent on imported labor and their prewar labor movements were the most highly developed of any throughout the region.

Nevertheless, the labor movements in these two countries have taken different paths. Burma is made up of one predominant race, overwhelmingly agricultural and guided by strong nationalist leadership. Development of solidarity among Malaya's laboring class has been retarded by the tripartite ethnic composition of its population and by the country's traditional dependence upon two export industries. Accordingly, Malaya's labor movement has developed schismatic tendencies bordering on mutual hostility and has been influenced by alien Asiatic leadership. While in both countries the British Government has not as yet formulated any policy toward immigrant workers and has thus played into the hands of labor, already in short supply, the effects in the two countries have been quite different. Because of Malaya's lack of a self-sufficient economy, its laborers are in a more favorable position to press their demands. At the same time they suffer from serious internal weaknesses not found in Burma. The government and private firms in Malaya—if the planting-mining economy is to survive—will have to make greater concessions in order to reconstitute an adequate labor force than will the analogous authorities in Burma and Siam.

The special composition of Malaya's population and the organization of its industries are probably responsible for the development of its labor movement from many small unions, organized by subdivisions within trades, into a central association. This pyramidal set-up has been turned upside down in Burma, where labor was at first organized on a very broad basis and then divided into smaller units. In both areas the British Government has been making a marked effort to foster labor unions and at the same time to divorce them from political programs and ideologies. But since the nationalists throughout the area have chosen the labor movement as their chief medium for the achievement of the socio-political revolution they desire, it is unlikely that this attempt will prove successful. The laborers of Southeast Asia still feel themselves to be, above all, members of their own national or ethnic communities and have only secondarily developed a consciousness of a class apart. The whole area is too little industrialized to be fertile ground for a labor movement, strictly speaking. When trade unionism is discussed in referring to the labor movements now budding in Southeast Asia, it should be borne in mind that little more than its nomenclature has been borrowed from Occidental labor organization.

Throughout Southeast Asia the various governments have begged two outstanding questions affecting local labor problems—agricultural indebtedness and land tenancy, and the control of Asiatic immigration. In regard to the former, nothing has been done thus far and one can

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only surmise that a development of the cooperative movements will be furthered as the one policy free from international complications. As to the immigration of Indians and Chinese, the local governments seem unable to chart a course between the Scylla of indigenous nationalist sentiment and the Charybdis of demands from the governments of India and China. The latter today are in a far stronger position than before the war to insist that improved working conditions and greater political privileges be accorded to such of their nationals as they permit to emigrate to Southeast Asia.

Any restoration of the prewar planting-mining economy will depend upon the resumption of Asiatic immigration. But management will be forced to grant better working and living conditions and possibly the governments will have to concede a more privileged political position to immigrant Indian and Chinese laborers. On the other hand, native nationalists throughout the area will try to curtail such immigration and will oppose granting political privileges to alien Asiatics who, they believe, will continue to feel a primary loyalty to their homelands. These opposing forces have already locked horns on the citizenship clause embodied in the Malayan Union plan—the first postwar attempt to ameliorate the political position of alien Asiatics—and the British Government has not yet resolved the equally important immigration issue.

No matter what constitutional changes emerge from the current political crisis in Southeast Asia, the governments set up throughout the area will have to face the same labor and minority problems as did their predecessors. The urge toward industrialization received an impetus from the Japanese occupation, though the synchronous growth in the industries of China and India (not to mention Japan's continuing need for export markets) will offer sharper competition to the nascent industries of the region. Moreover, shortages of labor and fuel in most of Southeast Asia cannot but curtail the expansion of even light industries and may prevent any immediate and effective way of satisfying the desire of nationalists for the establishment of large-scale and heavy industries.

The region seems destined to remain for some time predominantly a source of raw materials and a market for the industrial output of its neighbors. Before the war certain sections of these countries had entered the phase of commercialized agriculture and mining, and of processing the output—distinct advances over the traditional economies. This trend is now being accentuated, although it is influenced by such wartime developments as that of the synthetic-rubber industry. In any case the form of international organization set up to control production and sales will be different from that of the past, in which the colonial producer interests predominated. In the immediate postwar period, world shortages of the commodities produced by Southeast Asia have created a market eager for all its major output.

18: Firth E-4 (no date) 1950 ALl Southeast Asia ALl
Chinese

427 But the alien planta-
565 tions and even alien smallholders have threatened to grasp at it, and the
177 advances of Western medicine, so beneficial in many ways, have only accelerated the rate of increase of the population which has to seek a livelihood from it. In most parts of South East Asia the peasant is the actual owner of the land he tills, often legally under some agreement with
● 426 the State. But his rights to the produce are often severely limited by a heavy burden of indebtedness. The real effects of this may be less than people sometimes think, because when the debts are spread among neighbours and kinsfolk interest may be waived, repayment is sometimes protracted or ignored, and the debt may be serviced by other than material means. But there is no doubt that the peasant producer is badly hampered by his debt load. It is most pressing when debt is contracted to a member of an alien ethnic group, an Indian or a Chinese, for whom the transaction is a purely commercial one.

563 The role of alien Asiatic ethnic groups is one of the most significant
565 features in the economic and political life of the peasantry of South East
177 Asia today. For many centuries, Indian and Chinese trading influences
178 have met in the South East Asian region, and Indian religious concepts
439 have penetrated deep into many of its social systems. But for more than four hundred years the dominant commercial and political note has tended to be sounded by Europeans. Now the balance is altering. Colonialism may have set the modern structure of South East Asian society, but the patterns will persist when the colonial Powers have withdrawn. To this new society the Chinese above all have the economic key. In Indo-China, Siam, Malaya, the Philippines, and Java, the Chinese have penetrated the economic system and taken over crucial functions. They have shared in much of the wholesale import trade, they have attained pre-eminence in retailing vital imported goods to the peasant, and they act as middlemen for the collection, storage, and processing of peasant export products. As part of this process they often finance the peasant producer by advances on his crop, gaining a double profit by giving part of these advances in goods, not cash. The Chinese achievement has been remarkable. They have been kept on the margin both of the peasant society with which they deal, and of the European society with which at a later stage their growing wealth would allow them to associate. Though lacking any formal political power, which in the Orient as elsewhere is so often the passport to success, they have built up a trading structure of extraordinary toughness, elasticity, and elaboration.

565 The wider political implications of this are not my concern here. But
609 it is important to note three points in connexion with the peasant theme.
186 One is the xenophobic reaction of the local urban dwellers and of peasants
578 too, which has periodically found expression against the Chinese, as traders or residents in South East Asia, in the form of riots and other disturbances.
563 Another is the reaction of the Chinese, whose economic strength has given
241 them confidence, and who are now prepared to stand by their claim to a